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# ***JPRS Report***

## **East Asia**

***Korea: KULLOJA***

***No 11, November 1990***

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We members of the current staff of FBIS extend our thanks to consumers for their interest in FBIS products. To past staffers we extend our thanks for helping the service reach this anniversary year. At the same time, we pledge our continued commitment to providing a useful information service.



R. W. Manners  
Director  
Foreign Broadcast Information Service

# East Asia

## Korea: KULLOJA

No 11, November 1990

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5 March 1991

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## Editorial Bureau

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## Economic Construction

### **The Problem of Embodying Socialistic Principles and Methods in Economic Management**

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[Article by Kim Chol-sik]

[Text] Which principles and methods to use in managing and operating the economy is one of the important problems that influences the success or failure of economic construction.

Economic management performs the social function of organizing and directing people's production activities and labor processes, but the impact it exerts on economic development and social life is great.

Which principles and methods are used in managing and operating the economy in the socialist society emerges as a very profound problem that is linked to whether we can continue to maintain the revolutionary stand of the working class in economic construction. Inasmuch as the economic system is directly linked with the the social system, if economic management is not done correctly, the economic system itself will be endangered and, furthermore, even the social system will deteriorate. Therefore, we may say that the fate of the economic system and the destiny of the social system are tied to which principles and methods we use to manage the economy.

Inasmuch as there is an inextricable link between the social system and the method of managing it, economic management should be carried out by methods that match the social system.

The great leader Comrade Kim Il-song taught as follows:

"Socialism can be built only on the basis of socialist principles and socialist methods." ("Let Us More Highly Display the Superiority of Our Country's Socialism," monograph, p 27)

The principle and method of economic management that match socialist society is, in other words, the collectivist principle and method that are embodied in the inherent demands of socialist society.

When we speak of carrying out economic management by socialistic principles and methods we mean resolving all problems arising in economic management under principles that display the superiority of socialism, thoroughly based on socialist principles, and using methods that arouse the boundless creativity of the popular masses, who are the mainstay of the revolution.

To resolve all problems according to the principle of displaying the superiority of the socialism based on socialist principles and the method of arousing the boundless creativity of the popular masses, who are the mainstay of the revolution: This is the socialistic principle and method that must be followed in economic management. This principle and method have their inherent characteristic in the most revolutionary and scientific principle and method of creatively remolding the economy so as to meet the chaju-oriented demands of the working masses, solving all problems emerging in economic construction by the role of the toiling popular masses.

To conduct economic management by socialistic principles and methods is above all an urgent demand for strengthening the socialist economic system and displaying its superiority and vitality.

Strengthening the socialist economic system, and highly demonstrating its superiority and vitality emerge as an important struggle task for expediting the building of socialism and communism. Only by continuously strengthening the socialist economic system, which forms the economic foundation of the socialist system, is it possible to dynamically accelerate socialist economic construction, to remold the economy in a manner that meets the aspirations and demands of the working class, and to remold and reform the entire fabric of social life according to the circumstances of the working class.

The problem of continuously strengthening and developing socialist society and highly displaying its superiority and vitality after it has been established, is significantly linked to the question of by which principle and method the economy is managed and operated. Inasmuch as economic management performs the social function of organizing and directing social life, it is significantly tied to the fact that how economic management is carried out determines whether or not economic construction is successful and the degree of consolidation and development of the economic system.

If economic management is to contribute to consolidating and developing the economic system, it must be managed and operated by means of economic management principles and methods that suit the nature of the relevant social system. Economic management principles regulate the most basic and universal principles that must be adhered to in economic management, and they clarify the basic direction and method of economic management. Economic management methods specify specific management and operating methods such as where to place the emphasis of economic management and how to mobilize producers. Such economic management principles and methods are determined by the relevant social economic system.

The economic system consists of those social relationships in which the economy serves as the medium. In the relevant economic system are economic management principles and methods corresponding to it. The economic system and economic management principles and methods are all intimately interrelated. Generally, needless to say, if we change the structure of matter, changes arise in the functions of that matter. And if we exert a certain influence on the function of matter and change its function, the structure of matter will also gradually become different.

In economic management as well, only if we manage the economy by the applicable economic management methods can we speed up economic construction, and firm up the economic system. If we do not do this, however, there will be serious repercussions for economic construction.

The socialist economic system is one that manages and operates the economy in accordance with the independent aspirations and demands of the toiling popular masses on the basis of socialistic ownership of the means of production. The master of the socialist economic system consists of the popular masses, and all economic life in a socialist society is carried out in a manner appropriate to the interests of the popular masses.

If we are to achieve the common interest and demands of all members of society, we must at all costs manage and operate the economy by collectivist methods.

The essence of collectivism lies in helping and leading one another and sharing in the joys and sorrows of life under the slogan of "One for all and all for one!" When we speak of managing and operating the economy according to collectivist methods we mean guaranteeing the interests of each economic unit and worker in economic management and operations, while regarding as more precious the demands and interests of the state and the social collectivity, and solving all problems arising in managing and operating the economy on the basis of the revolutionary enthusiasm and the combined strength of the workers.

The collectivist method is indeed the socialist economic management and operation method.

Only when socialist principles and methods and collectivist methods are embodied in economic management



is it possible to vigorously push forward economic construction so as to meet the common interests and demands of society and the independent aspirations of the popular masses, and to raise the people's standard of living evenly and rapidly.

If individualistic methods are used to manage and operate the economy in a socialist society—which is based on the socialist ownership of the means of production—we will be unable to utilize effectively all means of production in accordance with the common interests and demands of society. And being unable to correctly embody the demands of the laws of planned, balanced development of the people's economy, we will be unable to develop the economy quickly.

If we build socialism but manage the economy by capitalistic methods and introduce a capitalistic, free-market economy, the socialist economic system and the socialist system will become eroded, and the revolutionary cause of the working class itself will be jeopardized.

Through hundreds of years the capitalistic management method has become hardened as the byproduct of the capitalist system, and has carried out its function of squeezing the blood and sweat of the toiling popular masses.

If we allow even the smallest vestige of the capitalistic management method in the socialist society, it will place a great obstacle in the path of displaying the superiority and vitality of the collectivist socialist economy.

Only by managing and operating according to socialist principles and methods does it become possible to strengthen economic management and reinforce socialist ownership, and overcome in a timely fashion all manner of unsound elements that infringe upon it. Moreover, only by so doing is it possible to have the producer masses positively participate in economic management and manage and operate the economy scientifically and rationally according to their heightened revolutionary enthusiasm.

Therefore, only when the socialist economic system is managed and operated according to socialist principles and methods is it continuously strengthened. Only then does its great superiority and vitality come to be highly demonstrated.

In addition, to conduct economic management according to socialist principles and methods is an indispensable requirement for smoothly developing the socialist economy and achieving high levels of production growth.

The speed of economic growth is significantly linked to the nature of the relevant economic system and to the economic management methods that are regulated by it. That is because the nature and economic management methods of the economic system perform a key function in motivating people, who are the ones directly in charge

of production, and in achieving the rational combination of manpower and the material elements of production.

The position and role of people in production is influenced by the nature of the economic system. People's productive activities are carried out directly linked to the economic management.

The more the producer masses, who are the masters of production, technology and management, participate in economic management in a manner befitting a master, and highly display their revolutionary enthusiasm and creative positivism, the more it is possible to successfully solve all problems arising in increasing production.

How we demonstrate the revolutionary enthusiasm and creative positivism of the producer masses depends significantly on the nature of the economic system and the economic management method. Only if an economic system that can successfully achieve the independent aspirations and demands of the toiling popular masses is established, and economic management methods capable of highly demonstrating the enthusiasm and initiative of the producer masses are aggressively introduced, will it be possible to manage and operate the socialist economy correctly and achieve a high rate of production growth.

By highly demonstrating the superiority of socialism based on the principle of socialism in the totality of managing and operating the economy, socialist principles and methods enable all workers to have an awareness that they are the masters of revolution and construction, and to participate in construction and revolution in a manner befitting a master and aggressively struggle to fulfill their responsibilities and role as masters. In particular, all workers come to highly display all kinds of creative positiveness in production and construction, become vitally interested in it, and aggressively foster socialist construction. Only by correctly embodying the socialist method—which is the collectivist economic management method—in socialist society, which is based on collectivism, is it possible to make people participate sincerely in common labor for society and the group, and for themselves and for everyone to help and lead one another and accelerate production and construction to the maximum. The more the economy is managed and operated according to socialist methods, the more all of the elements of production can be combined rationally on the basis of the revolutionary enthusiasm of the producer masses and the more inner reserves can be actively sought out and mobilized, and production and construction dynamically accelerated. Therefore, only socialist principles and methods are a firm guarantee that can continuously improve and strengthen economic management, and achieve a high rate of speed of production growth.

Conducting economic management by means of socialist principles and methods is an important requirement for firmly establishing a unified control of all-people ownership, and for achieving the complete victory of socialism.

Firmly establishing unified control over the ownership of the means of production by all the people is a central task for achieving the complete victory of socialism. To achieve the complete victory of socialism we must eliminate class differences by converting cooperative ownership to an all-people ownership, and having all workers incorporated and working in a single economy based on ownership by all the people.

The important thing in converting collective ownership to ownership by all the people and firmly establishing a single system of ownership by the whole people is to continuously improve guidance and management of the rural economy and, to lift the management and operations level of the cooperative economy to the advanced level of the manufacturing industry. The decisive thing here is to thoroughly embody socialist principles and methods in economic management.

If we want to convert cooperative ownership to ownership by the entire people, we must lift the ideological consciousness level and the technological and cultural level of farmers to the levels of the working class, and raise the material and technical foundation of agriculture to the advanced level of the manufacturing industry.

If we want to do this, we must firmly embody the socialist principles and methods in the field of management and operations, and manage the economy by methods that suit common interests and requirements, and by the methods that actively inspire the creativity of the toiling popular masses.

Only by managing and operating the economy by socialist principles and methods is it possible to manage and operate the rural economy in the direction of all-people ownership, and to be able to develop further the cooperative economy under the positive support of industry.

Converting cooperative ownership to all-people ownership is an inevitable demand of socialist social development, and when we manage and operate the economy according to collectivist methods to meet common interests and demands, it is more successfully achieved.

Only by carrying out economic management in the socialist economic system by socialist methods and principles can we convert cooperative ownership to all-people ownership. When we manage and operate the economy according to individualistic methods, we cannot firmly establish a single all-people ownership system.

Individualistic management methods are small-owner-management and operations methods, and every day and every hour they give rise to capitalism and selfishness. We can never firmly establish all-people ownership in the socialist system by means of individualistic methods that continuously give rise to capitalism and individualism and, instead, end up eroding even the established socialist system. Therefore, only by thoroughly rejecting individualistic methods in economic

management, preserving socialist principles and methods, and thoroughly implementing them, is it possible to successfully convert cooperative ownership to all-people ownership, continuously strengthen the material and technical foundations of the rural economy under the active support of industry, and lift its management and operations level to the advanced level of industry.

All of this shows that performing economic management according to socialist principles and methods is a fundamental problem that influences whether or not socialist construction will be successful. It is a key link that must always be firmly grasped in socialist economic construction.

The great leader Comrade Kim Il-song early on brilliantly effected the immortal *chuche* thought in the field of socialist economic management, scientifically elucidated the basic principles of socialist economic management, and established the socialist economic management system of *chuche*. By so doing he enabled us to firmly carry out economic management according to the demands of socialist principles and methods.

Since our country's economic system is being managed and operated according to the socialist economic management system of *chuche* elucidated by the great leader Comrade Kim Il-song, it has been managed and operated without the slightest deviation and only according to the demands of socialist principles and methods, and we have been able to achieve continuous high speed in all fields of production and construction.

Today, when the struggle to create a new "Great Speed of the 90's" in all fields of the people's economy, is being vigorously waged, and a great socialist march movement is aggressively being pressed forward, the firm embodying of socialist principles and methods is emerging as an even more urgent demand.

In particular, the more complex the situation and the more intense the offensive of the reactionaries becomes, the more we must firmly embody socialist principles and methods in economic management in order to firmly adhere to the revolutionary principles in socialist economic construction, and to lift higher the banner of socialism.

The great leader Comrade Kim Il-song taught as follows:

"With resolute faith in our party's policies, economic guidance functionaries must demonstrate a high revolutionary spirit, thoroughly support and implement the economic management principles of *chuche*, and responsibly perform production guidance and business management according to the demands of the Taean Work System." (op cit p. 14)

The important thing in embodying socialistic principles and methods in economic management is to thoroughly implement our style of socialist economic guidance management principles.



The great leader Comrade Kim Il-song early on deeply perceived the importance to economic construction of improving guidance and management of the economic system. He explained that properly combining political guidance with economic and technical guidance—the state's unified guidance with the initiative of each unit, democracy with unitary command, and political-moral incentives with material incentives—is the basic principle that must be maintained in guidance and management of the socialist economy.

The socialist economic guidance management principles set forth by the great leader Comrade Kim Il-song are the most revolutionary economic guidance management principles. They make it possible to firmly guarantee the leadership of the party in economic management, and to manage and operate the economy scientifically and rationally by highly displaying the revolutionary enthusiasm, ingenuity, and initiative of the producer masses under the unified guidance of the state.

Only by thoroughly putting into practice socialist economic guidance management principles is it possible to manage and operate the economy according to the intentions of the party, the state, and the aspirations and demands of the popular masses, and to successfully resolve, on the basis of the collective strength of the broad producer masses, all problems that crop up in economic construction.

Therefore, firmly embodying socialist economic guidance management principles serves as a firm guarantee for making it possible to manage and operate the economy according to the requirements of socialist principles and methods.

In order to thoroughly embody the socialist economic guidance management principles we must strengthen party leadership and state guidance in economic management, thoroughly implement our party's revolutionary mass line, and highly exhibit the revolutionary enthusiasm and creative positiveness of the popular masses. In addition, we must accurately embody the demands of socialist economic laws, and vigorously launch a struggle to make economic management be scientific and rational. In particular, economic guidance functionaries must manage and operate the economy according to economic management rules and regulations, and firmly establish a system and order in economic management.

In order to embody socialist principles and methods in economic management, it is important to vigorously carry out a struggle to overcome any remnants of the old economic management ways.

The job of embodying socialist principles and methods in economic management is successfully advanced only when we thoroughly overcome the remnants of the old economic management methods. The work of embodying socialist principles and methods is creative work aimed at establishing a new economic management

system and order that is distinguished from the outmoded economic management methods of the past, and in this process various difficulties can be encountered. In managing the economy we cannot use capitalistic methods in lieu of socialistic principles and methods and, moreover, we cannot drag in the remnants of the old administrative methods. We must simply overcome the remnants of the old administrative methods and set up a new revolutionary economic management system, order, and methods by means of creative labor and struggle.

Moreover, inasmuch as we possess a *chuche*-oriented economic management system, we must perform the management and operation of the economy in our own way, firmly taking a *chuche*-oriented point of view from start to finish. We must also raise our vigilance toward even the slightest expression of trying to drag in anything different which has no connection with the *chuche* economic management method and oppose it and staunchly struggle against it.

The next important thing in embodying socialist principles and methods in economic guidance is to thoroughly carry out the Tae'an Work System, the *chuche* economic management system created by our party.

The Tae'an Work System is the work system that embodies our party's revolutionary mass line in economic management. When the Tae'an Work System is thoroughly carried out, it is possible to most completely achieve all the demands that arise in embodying socialist principles and methods in economic management.

Indeed, the Tae'an Work System is a work system that manages and operates the economy according to socialist principles and methods. The more thoroughly it is embodied, the more the economy is managed and operated so as to suit the nature of the socialist economy and the more vigorously socialist economic construction is accelerated.

The important thing in thoroughly implementing the Tae'an Work System in the present age is to further strengthen the collective guidance of the party committee.

The basic essence of the Tae'an Work System is the collective guidance of the party committee. Only by further strengthening the collective guidance of the party committee can all economic work be vigorously pushed ahead purposefully as the party intends, and as the state requires, and can we overcome the remnants of the outmoded economic management, aggressively carrying out economic guidance in our own style. Moreover, only by so doing is it possible to have the producer masses actively participate in economic management, and to fulfill their responsibilities and roles as masters of economic management.

The party committees must further strengthen the group discussion system, and see to it that all functionaries go among the producer masses, and vigorously arouse the

workers to production and construction by political work that touches the heart strings of the masses.

What emerges as an urgent requirement in carrying out the Taean Work System, is to improve planning work, set up strict rules and order, and accomplish without fail the people's economic plan in all sectors and all units. Economic guidance functionaries must make business management more regularized and more normative and carry out without fail the people's economic plan in a timely manner by planning and organizing business management.

In particular, economic guidance functionaries must deeply study party policies, and acquire a knowledge of economic management. They must continuously raise their business management level to suit objective economic laws and the demands of the developing reality.

Enhancing the responsibility and role of economic guidance functionaries is one important way to correctly embody socialist principles and methods in economic management.

The work of embodying socialist principles and methods in economic management is responsible work that economic guidance functionaries must accomplish.

No matter how brilliant an economic management principle and method is established, unless the functionaries—who directly organize and command economic work—work according to these requirements, it cannot demonstrate its usefulness, and is unable to reap the desired results in economic construction. Moreover, when economic guidance functionaries do not fully embody socialist economic management principles and methods, the remnants of the outmoded economic management methods can be revived and other alien elements can creep in.

Therefore, functionaries must have a high level of revolutionary enthusiasm and creative positiveness, and must firmly embody socialist principles and methods in economic management.

The important thing here is that all economic guidance functionaries have a firm ideological viewpoint and standpoint that holds that in managing and operating the socialist economy there should be only socialist principles and methods.

Only if they have this kind of ideological viewpoint and stand is it possible not only to thoroughly implement socialist principles and methods, but also to completely overcome the remnants of outmoded management methods that seek to be revived in the field of economic management.

All economic guidance functionaries must staunchly defend the socialist planned economy under all circumstances and at any time, and strengthen socialistic ownership and struggle in order to manage and operate the economy according to the collectivist principles and methods.

In addition, it is important that economic guidance functionaries highly demonstrate a sense of responsibility and initiative.

By carrying out economic management in all sectors and all units of the people's economy, and by achieving a continuous upsurge in socialist economic construction, we will further advance the ultimate victory of our revolutionary cause.

### **Mobilizing and Utilizing the Railway Transport Potential to the Maximum Extent Are Urgent Needs To Lessen Tension in Transport**

00000000 Pyongyang KULLOJA in Korean No 11, Nov 90 pp 59-63

[Article by Pak Yong-sok; not translated]

### **Vigorous Material and Technological Support for Rural Areas Is an Important Guarantee for the Consummation of the Rural Theses**

00000000 Pyongyang KULLOJA in Korean No 11, Nov 90 pp 64-68

[Article by Kim Chang-sik; not translated]

### **Rationalization of Management Activities and the Use of Economic Levers**

912D0075B Pyongyang KULLOJA in Korean No 11, Nov 90 pp 69-73

[Article by Kang In-chun]

[Text] Correctly utilizing economic levers in socialist society is one of the important problems that arises in accelerating socialist economic construction.

Socialist economic construction is difficult and complex work which is pushed forward through the self-sacrificing labor of several million of the toiling masses and the creative activities of many economic units. Therefore, which methods and means to rely on in inspiring the activities of the workers, who are directly in charge of production and the economic units, is one of the basic problems affecting the results of socialist economic construction.

In socialist society, given its intrinsic superiority, we inspire the economic activities of the producers and the economic units by putting the stress on motivating people's ideology while using various legal, administrative, and economic means.

When we speak of economic levers we mean precisely those economic means that are purposefully set up and utilized to stimulate, inspire, coordinate, and regulate the economic activities and management activities of people and economic units.

Among the economic levers that the party of the working class and the state consciously establish and utilize in socialist society, we find various forms according to the

results and content of economic relationships they reflect. Among these various economic levers are forms that reflect the communist nature of socialist society—such as planning, materials supply, and cooperative production—as well as forms that reflect the transitional nature of this society, such as the independent economic accounting system, cost, price, and profitability.

In socialist society, given its nature and characteristics, only by attaching priority importance to, and putting our primary efforts into using economic levers that reflect its communistic nature, while reasonably using economic levers that reflect its transitional nature, will it be possible to improve business management, and to rationalize management activities.

The great leader Comrade Kim Il-song taught as follows:

"In the transitional period, in which the remnants of the outmoded society remain in various fields of social life, we must correctly utilize economic levers such as the law of value to be able to rationalize economic management." (*The Works of Kim Il-song*, Vol 28, p 123)

In socialist society, because of its immature nature, many of the remnants of the old society still remain in various fields of social life. In socialist society productivity has not yet developed to the extent that it is able to distribute according to demand. The remnants of the old society still remain in the heads of the workers, and labor has not become the primary demand of life. Moreover since commodity money relations exist in socialist society, the law of value and the independent accounting system, cost, price, and profitability also exist as economic categories.

Given this characteristic of socialist society, it is essential to properly use economic levers, such as the law of value, in stimulating and inspiring the creative activities of workers and economic units in this society.

If utilizing economic levers that reflect the communistic nature of socialist society is fundamental, then if we are careless in using economic levers that reflect the transitional nature of this society, we cannot rationalize business management, and we waste vast amounts of social labor. As a result economic development is hindered. In socialist society, while utilizing economic levers that reflect its communistic nature, we must, of necessity, give deep attention to properly utilizing economic levers that reflect its transitional nature.

Properly utilizing economic levers that reflect the transitional nature of socialist society essentially means reasonably using economic relationships that realize value standards and material incentives as a means of rationalizing economic management. In other words, it means rationally utilizing, as a means of improving economic management, economic categories such as living allowances, bonuses, rewards, and the work team preferential treatment system, which reflect price, cost, net income, returns, profitability, and the independent economic accounting system and distribution according

to labor, all of which are linked to commodity-money relations and the law of value.

Correctly utilizing economic levers in socialist society that reflect its transitional nature is an important way to rationalize management activities.

Correctly utilizing economic levers above all makes it possible to accurately calculate expenditures and their results in production.

Accurately calculating expenditures and their results in production is a prerequisite for rationalizing management activities. The fundamental objective of rationalizing management activities lies in achieving the maximum economic results with the minimum expenditures. To achieve this objective of management activities, one must accurately compute and grasp the amount of manpower, labor objectives, labor means, and production elements expended in production and their economic results. Only by so doing is it possible to most rationally set up and achieve quantitative applications of the elements of production based on scientific economic calculations, and accurately seek out inefficient and irrational aspects of management activities and set up relevant practical economic countermeasures in time. By so doing, production can be further increased, even while cutting expenditures to the bone.

What has major significance for calculating expenditures on production and their results in socialist society is correctly utilizing economic levers that reflect commodity-money relations. Since commodity-money relations exist in socialist society, social labor expended and its results come to be expressed as value or a form of value. Therefore, value, cost, interest, and other economic levers must be correctly used in order to be able to accurately measure and evaluate in money terms the amount of labor expended in production, its results, and the advantages and disadvantages of patterns of utilization of the elements of production and management activities. Ultimately, correctly utilizing economic levers is an important method for preparing the basic conditions for scientifically and rationally organizing and carrying out all aspects of management activities, including formulation of plans, organization of production and labor, and securing of supplies.

The correct utilization of economic levers also makes it possible to effectively realize material incentives for the laborers, who are the ones directly responsible for production and management.

If we want to raise workers' production zeal and creative positiveness, we must strengthen political and moral incentives while appropriately combining material incentives with them. In socialist society, in which the essential characteristic is its communistic nature, political and moral incentives serve as a basic method for increasing workers' revolutionary zeal and creative positiveness. In addition, only by realizing material incentives corresponding to the transitional nature of socialist

society, is it possible to further increase the workers' will to produce and their initiative.

Material incentives for workers in a socialist society are realized through economic levers such as living allowances, rewards, bonuses, enterprise funds, and the work-team preferential treatment system. Material incentives put forth as a basic demand that interests be realized between individuals and different groups and the results of their labor, and that economic levers such as living allowances, rewards, bonuses, enterprise funds, and work team preferential treatment system, reflect distribution according to labor.

Therefore, if workers are recompensed utilizing economic levers according to how well they work, it is possible to rationalize management activities to make them participate in further increasing production with greater interest and enthusiasm.

Correctly utilizing economic levers also makes it possible to strengthen control over management activities.

Control over management activities arises as an indispensable demand in socialist society, where old ideological remnants remain in peoples' heads. Under conditions where old ideological remnants such as individualism and selfishness still remain in people's heads, we must strengthen controls to ensure that factories and enterprises carry out business management according to the prescribed institutions and order, and that they can continuously raise the economic effectiveness of production and management activities, and accomplish without fail state planning tasks, including production planning, cost planning, and interest planning.

Of course, in socialist society, where the toiling popular masses are the master of everything, and where everything serves the interests of the toiling popular masses, the self-awareness of the workers is a fundamental factor that inspires management activity. However, if we raise the workers' self-awareness while neglecting controls, disorder is created in the management activities by the corrosive effect of the old ideological remnants that are in peoples' heads, and phenomena appear that waste manpower and the means of production and infringe on the assets of the state and the society.

Therefore, if one seeks to rationalize management activities, one must strengthen controls over management activities while actively increasing the self-awareness of the workers.

One effective method of achieving controls over management activities is to correctly utilize economic levers. Controls aimed at rationalizing management activities refer to the work of providing guidance and applying sanctions so that the elements of production in factories and enterprises are utilized effectively and economically,

greater production results are achieved with small expenditures, and state plans are accomplished and overfulfilled. Economic levers, unlike legal and administrative methods, utilize material incentives to achieve this function of sanctions.

Economic levers such as cost, price, and profitability calculate expenditures of the elements of production in factories and enterprises, greatly reduce unproductive expenditures, correct economic calculations, and make it possible to economically use facilities and materials. They also provide coordination and control so that greater profits are realized. Thus, factories and enterprises are able to strengthen economization, increase social net income, and expand business internal savings. Transaction revenues, state enterprise profits, and other such economic levers provide controls that ensure that factories and enterprises reduce prime costs, increase profits, and satisfactorily accomplish the quantitative and qualitative indicators of production plans through the process of making payments into the state treasury.

Correctly using economic levers in this manner is an important way to rationalize management activities from the transitional nature of the socialist society.

Basing itself on a profound analysis of the importance of rationally utilizing economic levers in improving management activities, our party has scientifically put forth basic principles and methods to embody them in order to correctly utilize economic levers to suit the nature and characteristics of socialist society in previous periods, and has provided wise leadership to thoroughly achieve this.

One of the important principles to which our party is adhering in the use of economic levers is to give priority to political and ideological work, and raise people's revolutionary enthusiasm and creative positiveness while correctly combining this with economic levers.

The decisive factor that inspires people's economic activity in socialist society is their high degree of revolutionary enthusiasm and creative positiveness. Only by giving priority to political and ideological work and highly displaying the workers' revolutionary enthusiasm and creative positivism, while appropriately combining and utilizing material incentive levers with these, is it possible to solve all problems arising in rationalizing management activities, and to actively display the intrinsic superiority of socialism.

Using economic levers to meet the demands of party policy and objective economic laws is an important principle to which our party adheres in the management and operation of enterprises.

Economic levers are an economic tool consciously established and used in order to satisfactorily accomplish the tasks set forth by the party. When using economic levers to meet the policy demands of the party, it is possible to achieve the basic interests of the revolution and positively inspire overall development of the people's



economy, and to carry out the management activities according to the intent of the party.

Only by establishing and utilizing economic levers reflecting the demands of objective economic laws, as well as the policy of the party, is it possible to scientifically and rationally carry out management activities.

One of the important principles to which our party adheres in the use of economic levers is to utilize economic levers in a uniform way according to methods and ways prescribed by the state.

Economic levers have distinctive characteristics in terms of operation and their field of application. Therefore, guaranteeing uniformity in using economic levers of different forms is a principled demand in order for correctly managing and operating the socialist economy that forms one organic whole in which the sectors and units of the people's economy are intimately linked with one another, and eliminating lack of discipline and spontaneity in management activities.

That our people were able to rationally utilize economic levers without even the slightest deviation in the past as a means of rationalizing management activities, is the result of our party's having correctly explained the principled demands that must be adhered to in utilizing economic levers, and having wisely led us in accurately embodying them.

Today, upholding the historic letter "On Improving and Strengthening Financial and Banking Work," which the dear Comrade Kim Chong-il sent to participants in the National Conference of Financial and Banking Functionaries, the work of correctly instituting the independent accounting system and correctly utilizing economic levers such as cost, price, and profitability emerges as an important task for which we must further lay the groundwork.

Above all, the important thing in correctly utilizing economic levers in the present period, and rationalizing management activities is precisely to institute properly the independent economic accounting system.

Comrade Kim Chong-il, member of the Presidium of the Political Bureau and Secretary of the Central Committee of the WPK [Workers Party of Korea], pointed out as follows:

"If we want to rationally manage and operate socialist state complexes, we must by all means institute the independent economic accounting system in the industrial complexes."

The independent economic accounting system is a planned and rational management and operational method of socialist state-operated enterprises. Under this system, factories and enterprises carry out management activities with relative independence under the centralized guidance of the state, balance income and expenditures, and turn over their profits to the state. Only by properly instituting the independent economic

accounting system is it possible to heighten the productive zeal of the workers, and make factories and enterprises use raw materials and supplies, capital, and labor on the basis of a strict accounting.

The independent economic accounting system must be instituted with the aim of highly displaying the workers' political self-awareness, revolutionary enthusiasm, and collectivism so as to meet the demands of the Taean Work System, which reflects the communistic nature of socialist society, while combining with it, material incentives and the law of value. It is important, in particular, to correctly combine political and moral incentives with material incentives in evaluating the accomplishment of the state plan.

In addition, we must continuously expand the ranks of organs and enterprises using the independent economic accounting system in all sectors of the people's economy. By expanding the use of the independent economic accounting system, the double independent accounting system, and the semi-independent accounting system so as to suit the specific characteristics of each sector, we should continuously improve management activities, overfulfill the state plan, and frugally carry out our national housekeeping.

Another important thing in rationalizing management activities by correctly utilizing economic levers is to do a good job of utilizing levers such as cost, price, and profitability.

The prime cost of products is a basic indicator that determines the quality of a business' management activity. Only by doing a good job of utilizing the cost lever is it possible to explicitly calculate all expenses expended in production, to carry out management activity scientifically and rationally, and to improve the whole gamut of enterprise work.

In factories and enterprises, calculating prime cost and systematically lowering prime cost, is one of the important tasks for rationalizing management activities, and it must be firmly grasped. In order to thoroughly accomplish it, we must actively struggle. In particular, it is important for factories and enterprises to put their energies into scientifically fixing materials consumption standards, continuously lowering them to meet the demands of realistic development, getting rid of improperly made and imperfect goods, using much low-cost substitute materials, and efficiently mobilizing and utilizing scrap materials and byproducts. Factories and enterprises must ensure that they accurately fix technical and economic indicators, including work norms and facility-utilization standards, continuously improve them, economize on labor, and raise facility-utilization rates.

Only by correctly setting and applying prices is it possible for factories and businesses to carry out comprehensive planning and accurate economic calculations for production and management activities, and to be able to

calculate the losses and the gains in management activities, accurately assessing their results.

Even while correctly performing price-setting work and supplying commodities according to the plans and contracts, producers must accomplish their production quotas according to the indicator without fail, raise their quality, and strengthen economization. In particular, factories and enterprises must correctly utilize the price lever as a means of calculation control, correctly perform economic calculations, use facilities and materials sparingly, and give deep attention to thoroughly eliminating phenomena such as purchasing unnecessary facilities and materials or backlogging and stockpiling.

It is important for factories and enterprises to continuously raise their profitability.

In socialist society the profitability of factories and enterprises must in every respect be guaranteed upon a foundation of thoroughly adhering to the planned management principles of the economy. If factories and enterprises stress only profitability, they create particularism and individualistic selfishness, and cannot guarantee the interests of the state and society at large. Furthermore, this can seriously damage the socialist economic system. We must give priority to state and society-wide interests and with these correctly combine the interests of the individual enterprise, and continuously raise the profitability of factories and enterprises on a foundation of thoroughly observing the principle of planned management.

Factories and enterprises must vigorously carry out a struggle to raise profitability, modernize production facilities and the production processes, and see to it that management activities are made scientific and rational.

It is important to correctly set up objects and the scale of sales revenue assessments, and to correctly utilize them as means of control for the rationalization of management activities. Therefore, factories and enterprises must see to it that they accomplish the planned tasks of the state without fail, and fully carry out their obligation to transmit payments to the state treasury.

A firm guarantee for correctly utilizing economic levers and rationalizing management activities lies in enhancing the role of economic guidance functionaries, who are the persons directly in charge of business management.

All economic guidance functionaries must display a high sense of responsibility and the attitude of a master of the revolution, and correctly plan and organize the work of

utilizing economic levers to suit the intent of the party. In particular, it is important that functionaries should on the one hand firmly arm themselves with the party's economic policy and the socialistic economic theory of *chuche* while having the ability to understand well the place and role of each economic lever and how to utilize it to meet the specific actual situation of their own unit.

By further rationalizing management activities by correctly utilizing economic levers, all economic functionaries must accelerate socialist economic construction to the maximum and positively contribute to highly displaying the superiority of our country's socialism.

## Cultural Construction

### The Shining Success Won Under the Leadership of the Party in the Excavation of the Nation's Cultural Relics

00000000 Pyongyang KULLOJA in Korean No 11, Nov 90 pp 74-79

[Article by Kwon Taek-mu; not translated]

## South Korea

### 'The National Security Law' Is a Fascist Evil Law Against Reunification

00000000 Pyongyang KULLOJA in Korean No 11, Nov 90 pp 80-84

[Article by Kim Yong-hui; not translated]

## International

### Imperialists Will Not Be Able To Escape Bankruptcy in Their Strategy of Peaceful Transition

00000000 Pyongyang KULLOJA in Korean No 11, Nov 90 pp 85-90

[Article by Chon In-chol; not translated]

## Travelogue

### The China Which Is Vigorously Advancing Under the Banner of Socialism

00000000 Pyongyang KULLOJA in Korean No 11, Nov 90 pp 91-96

[Article by Yun Chong-sik; not translated]



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